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# CITIZENS SUMMARY

## Findings in the audit of the Department of Social Services, Temporary Assistance for Needy Families, Electronic Benefits Transfers

### Background

The Temporary Assistance for Needy Families (TANF) program is a federal and state program to provide assistance to financially needy families with children. Approximately 40,000 Missouri households receive monthly TANF benefits, and more than 30,000 of these households also receive monthly Supplemental Nutrition Assistance Program (SNAP) benefits, also known as food stamps. Most recipients receive TANF and SNAP benefits directly on an electronic benefits transfer (EBT) card. With the EBT card, recipients can access TANF benefits by purchasing items via a point of sale (POS) terminal or by withdrawing cash at automated teller machines (ATM) or POS terminals. The EBT vendor does not charge for the first ATM withdrawal of the month but charges TANF recipients \$.85 per each subsequent ATM withdrawal that month and \$.85 per POS cash withdrawal only transaction. There are no restrictions in the state or federal regulations or statutes limiting the geographical use of TANF benefits, and the Department of Social Services (DSS) notes that there are many possible reasons a household may be using benefits in another state. The new federal Welfare Integrity and Data Improvement Act requires states, by February 22, 2014, to maintain practices and policies that prevent TANF assistance from being used in any EBT transaction at any liquor store, casino, gaming establishment or other inappropriate venues. States failing to meet this deadline could have their TANF block grants decreased by up to 5 percent. Since 1998, the Missouri Gaming Commission, at the request of DSS, has required Missouri casinos to block ATMs in their casinos from accepting EBT cards. In February 2013, the DSS - Family Support Division (FSD) notified TANF recipients of the new law and defined purchases of the following to be misuse of benefits: alcohol/liquor, tobacco items, lottery tickets, illegal drugs, controlled drugs without a valid prescription, and usages at adult-oriented entertainment businesses. In May 2013, the General Assembly passed legislation implementing the new federal law. State law restricts using public assistance benefits and EBT cards in locations marketed to adults, prohibits merchants from accepting TANF benefits for the purchase of alcoholic beverages, lottery tickets, or tobacco products, requires the DSS to establish and maintain a toll-free complaint line, and directs the DSS to study analytical modeling-based methods of detecting fraud and report to the General Assembly and governor by December 1, 2013.

### Inappropriate EBT Transactions

EBT transactions at out-of-state locations totaled \$3,383,989 from about 9,300 cases during the year ended June 30, 2012. We identified 366 cases for which some or all of the TANF benefits were accessed exclusively out-of-state over periods exceeding 90 days, with transactions totaling about \$461,000. Extended out-of-state usage could indicate the recipient no longer maintains a Missouri residence. About 68 percent of all out-of-state transactions occurred in bordering states, many of them in cities near the Missouri border. We identified 107 cases with only bordering state

transactions, totaling \$147,000, occurring over a period more than 90 days. We noted 249 cases, totaling \$302,000, with EBT transactions occurring exclusively at locations in non-bordering states for more than 90 consecutive days. For 67 of the 249 cases, the duration of the consecutive transactions, totaling nearly \$129,000, was 180 days or more. One case accessed benefits totaling \$4,276 over a 274 day period in Texas, one case accessed benefits totaling \$1,972 over 338 days in California, and one case accessed benefits totaling \$1,191 over 153 days in the Virgin Islands. Our analysis also identified 1,615 cases, with transactions totaling \$261,055, at locations with names suggesting the merchant may sell products or services (liquor, tobacco, gambling, etc.) that would, under new state and federal restrictions, be inappropriate locations to access TANF benefits.

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**DSS Review of EBT Transactions**

The FSD and DSS-Division of Legal Services (DLS) began an investigation in September 2012 for inappropriate out-of-state transactions using records of TANF EBT transactions during the year ended June 30, 2012. The DSS identified 1,300 cases (of 9,300 that had at least one out-of-state transaction), with about 10,000 transactions, for further review. As of April 30, 2013, of the 1,300 cases referred, the FSD indicated (i) 12 cases closed as a result of the investigation and 154 cases closed for failure of the recipient to provide information, (ii) establishment of claims for overpayment for 19 cases, totaling \$25,200, with establishment of claims for another 52 cases in progress, (iii) reviews not yet completed for 147 cases, and (iv) no claim or case closure needed on 916 cases. The EBT vendor makes various monthly reports available to the DSS, but DLS and FSD officials said that those reports could not be effectively used to identify inappropriate transactions. In January 2013, the DSS began meeting with the EBT vendor to discuss possible changes to the reporting process to provide the DSS with data better suited for detecting inappropriate transactions.

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**Efforts to Restrict TANF Access**

As of June 2013, the DSS had initiated limited merchant awareness activities regarding the new requirements prohibiting certain usages of TANF benefits. As of June 2012, other states had laws restricting the usage of TANF benefits. For example, five states prohibit TANF cash from being used for certain items like alcohol, seven states have disabled TANF EBT access at ATMs and/or POS terminals at certain businesses like casinos, and two states prohibit merchants from accepting TANF EBT cards for certain items like alcohol or by prohibiting non-SNAP authorized businesses to participate in the TANF EBT program. A GAO report noted significant challenges to enforcing restrictions on TANF access, including: (i) transaction data lacks a code identifying the nature of the retailer's business, (ii) some POS terminals have common identification numbers so blocking one may block others too, (iii) blocking EBT transactions requires removing the state's Bank Identification Number from each individual ATM, (iv) information about transaction locations is often incomplete and inaccurate, and (v) tracking what individuals buy with TANF benefits either by EBT transactions at POS terminals or with cash withdrawn from POS terminals or ATMs is difficult.

Because of the limited objective of this review, no overall rating is provided.